

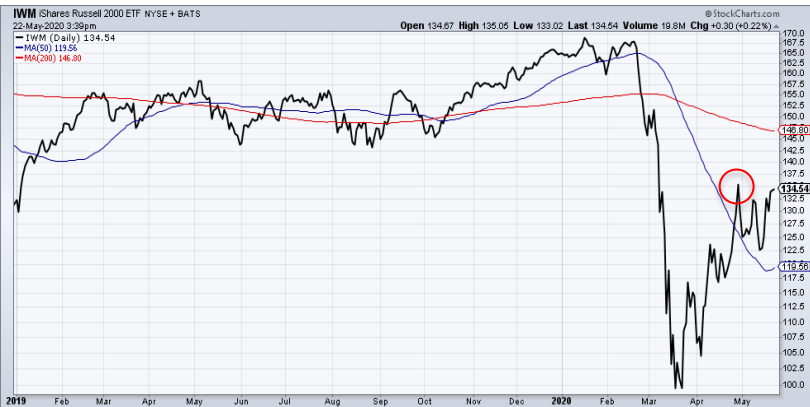
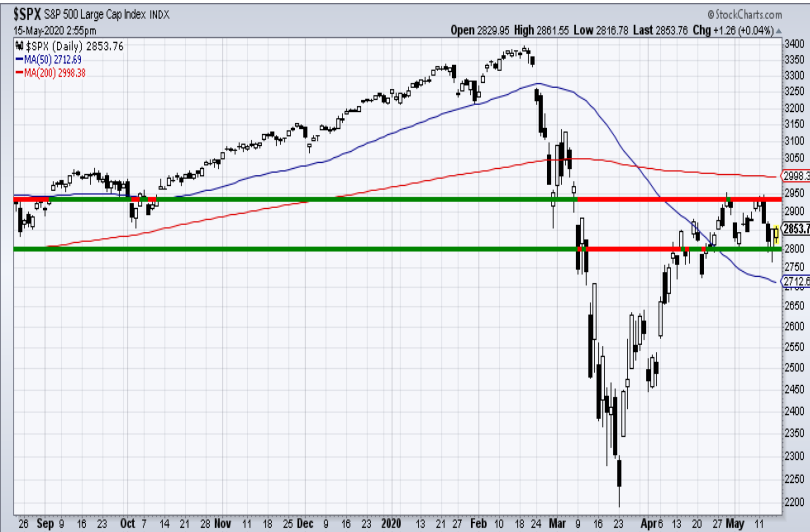
# BILLS ASSET MANAGEMENT

## BAM MARKET NOTE

MAY 22, 2020

SAM BILLS (865) 525-1329

BO BILLS (615) 371-5928



The volatile nature of the market was in full view this week as rumors of a successful vaccine catapulted the market back up and through the upper bounds of the trading range. The bulls are fighting to hold above the top of the range. Broken resistance now becomes support. While the break-out has been modest it should not be ignored. It should be noted that the 200 day moving average looms above at the 3000 level. A level that will be psychologically and technically significant should the rally hold. If the rally fails here, we would likely see a drop back down to the bottom of the trading range. We will see next week if the bulls can add to their momentum and sustain the break-out of earlier this week.

While large caps have continued their dominance, small caps are beginning to show some relative strength. That will need to continue if the current rally is to move higher. The Russell 2000 is nearing its recent high of April 29<sup>th</sup>. If the small cap index can break and hold above this level, it would add a significant amount of credence to the rally.

## Our Point

There has been quite a bit of “good” news on the virus front this week. Headlines roared with hopes that a virus vaccine could be ready as early as this fall with Moderna leading the pack. The optimism was tempered with the small sample sizes. Suspiciously, Moderna executives were selling their company shares when the rest of Wall Street was buying, leading some to question the validity of their claims. Nevertheless, there was optimism on Wall Street. We shall see. There was also good news on the re-opening front. Early re-opening adopters (Georgia and Florida) are not showing additional deaths though cases are increasing with more tests being taken. To this point, re-openings are going as well or better than expected. On the economic front, news continues to be dismal but investors are, rightfully, looking past the current bad news to what we might expect weeks and months down the road. While it does seem that the economy is back on the road to recovery, there remain a myriad of uncertainties. The extent of the damage to the economy will not be known for several months. For now, it appears that the market has gotten ahead of itself but, as the saying goes, “markets can remain irrational longer than you can stay solvent.” It is hard to argue with prices and it was a very good market week. We will see next week if the break-out carries more momentum or if the bears regain their footing and bring the market back into the trading range that has dominated market movements for the last 6-weeks. Despite our worries, we did find ourselves adding positions to our portfolios over the last two weeks. We are close to fully invested in our portfolios with a combination of small equity positions and much larger positions in lower volatility bond or bond-like holdings. They have performed well. With the long holiday weekend, we pause to remember those that gave their lives for our freedom. In the midst of your bbq’s and social distancing, take a moment to remember their sacrifice. Enjoy your long weekend and venture out carefully.

The contents of the BAM Market Note should not be construed as advice to purchase or to retain any interest in any of the investments mentioned. Any references to returns are not indicative of future performance and are subject to adjustment or revision.